COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4719-07
Bill No.: Perfected HS for HCS for HB 1566
Subject: Appropriations; Medicaid; Social Services Department
Type: #Corrected
Date: March 17, 2004
#To correct bill no.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	$0 to $771,076,401	$0 to $807,825,955	$0 to $843,005,816
Total Estimated Net Effect on General Revenue Fund	**$0 to $771,076,401**	**$0 to $807,825,955**	**$0 to $843,005,816**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Intergovernmental Transfer Fund	$5,800,000	$5,800,000	$5,800,000
Total Estimated Net Effect on All State Funds	**$5,800,000**	**$5,800,000**	**$5,800,000**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Federal*	$0	$0	$0
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

*Savings and loss of $0 to over $1,100,000,000 would net to $0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Mental Health (DMH)** state the state match that comes from the DMH budget is for Medicaid program services provided or purchased by the DMH, including those administered under cooperative agreements with the Division of Medical Services. DMH manages these dollars within appropriated limits.

If appropriations would be reduced, services available to this group would be reduced or the number of clients served would be reduced as only those services for which appropriations are received will be delivered.

Assuming that DMH appropriations remain at sufficient levels to continue existing Medicaid programs, the fiscal impact is zero.

Officials from the **Department of Health and Senior Services (DOH)** assume if Medicaid services were not funded, the 1,670 individuals enrolled in the Special Health Care Needs (SHCN) programs may look to DOH to fully pay for treatment services now covered by Medicaid. The fiscal impact to the program for treatment services for these participants no longer eligible for Medicaid is unknown.

ASSUMPTION (continued)

In addition, DOH assumes it could lose Medicaid reimbursement in the amounts of $73,384 for Pregnant Women Case Management, $82,538 for Well Child Outreach, $1,067,093 for Healthy Children and Youth (HCY), $142,550 for Head Injury Case Management, $42,084 for Physical Disabilities Waiver (PDW) Case Management and $15,000 for Non-emergency Transportation. In order for services provided under these reimbursements to continue, additional general revenue totaling $1,422,649 would be needed.

DOH states since the language in the proposal is permissive, it impossible to determine which programs will be funded and which will not. Therefore, the DOH states the fiscal impact on the DOH is unknown.

Oversight will present a savings of $0 to $1,422,649 which is the federal portion and $0 to $948,433 for General Revenue. This is the savings for all of DOH Medicaid recipients excluding the SHCN programs.

Officials from the **Office of Attorney General (AGO)** assume that limiting the eligibility of the Medicaid benefit would result in an increased number of appeals. AGO assumes because it represents the Department of Social Services in defending agency decisions, it may need additional attorneys and support staff, based on the number of appeals that might result from any decrease in amounts appropriated. AGO assumes that it would need three attorneys and one support staff to assist in the appeals process.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** state the proposal requires the following eligibility groups and services to be subject to appropriation. A cost savings is assumed if funding is not appropriated for a group of eligibles or for a medical assistance benefit.

DMS states the projection for each grouping is based on FY 03 expenditures and adjusted for a 4.5% annual inflation rate (standard fiscal note trend for medical care).

Section 208.146.
DMS states persons made eligible for medical assistance benefits pursuant to the federal Ticket to Work and Work Incentives Improvement Act of 1999 by the Department of Social Services will only be eligible for these benefits if annual appropriations are made. The projected cost savings for FY05 is $0 to $85,586,855.

Section 208.151.
Needy persons who comply with Title XIX, Public Law 89-97, 1965 amendments to the federal

ASSUMPTION (continued)

Social Security Act (42 U.S.C. Section 301 et seq.) will only be eligible for these benefits if annual appropriations are made. The projected cost savings for FY05 is $0 to $344,335,453.

Section 208.152.
Any person who is eligible for any other optional medical benefits provided by the Department of Social Services will only be eligible for these benefits if annual appropriations are made. The projected cost savings for FY05 is $0 to $1,870,246,297. The projected cost savings include optional services for mandatory eligibility group.

Section 208.631.
Persons made eligible for health care for uninsured children will only be eligible for these benefits if annual appropriations are made. The projected cost savings is $0 to $105,756,064.

DMS notes that the amounts represented in these four sections are duplicative. This is because some of the dollars represent groups of eligibles and some dollars represent services for these eligibles. DMS is not able to unduplicate the savings. Rather than add the four cost savings together which would overstate the savings, **Oversight** will present the largest savings (Section 208.152) which may be understating the savings.

Section 208.212
In a similar fiscal note, officials from the **Department of Mental Health (DMH)** state in the unlikely event a person would be admitted to a DMH facility who had been denied Medicaid eligibility because of putting assets into an annuity, there would be an expense to the DMH because the cost of care would be 100% rather than 40%.

DMH assumes this proposal is intended to primarily address persons receiving institutional physical health care in nursing facilities, which DMH does not operate or fund. DMH also assumes that the demographic and financial profiles for the majority of DMH consumers make it highly unlikely that any would be denied Medicaid eligibility because of putting assets into an annuity, or transferring asset into an annuity in the name of a family member. DMH assumes no fiscal impact.

In a similar fiscal note, officials from the **Department of Social Services - Division of Medical Services (DMS)** stated this proposal states that assets used for the purchase of an annuity shall be treated by the Department of Social Services (DOS) as an available resource with some exceptions. The exceptions are as follows: if the annuity was purchased more than three years prior to the individual entering long-term care facility, if the annuity is actuarially sound as measured against the Social Security Administration Life Expectancy Tables, if the annuity

ASSUMPTION (continued)

provides equal payments for its' duration and if the annuity provides Missouri with secondary or contingent beneficiary status in an amount equal to the Medicaid expenditure made on behalf of the individual.

The DMS states it has no way of determining the number of eligibles that would be affected by the new legislation. However, DMS assumes that the fiscal impact of a cost savings could exceed $400,000. For instance, if this legislation results in just eight nursing facility residents being denied Medicaid eligibility or their Medicaid eligibility revoked, DMS would see a cost savings over $400,000 ($35,529*8). The average annual cost per recipient for Medicaid nursing facility care is $35,529.

DMS states it is possible that the new legislation only closes one loophole and residents might be able to find another loophole to retain or be accepted for Medicaid eligibility. If this occurs the DMS would not see any cost savings.

In a similar fiscal note, officials from the **Department of Social Services - Division of Legal** services assumed that the amount of hearings this change in law could generate can be absorbed by existing staff.

DOS officials state Section 208.145.2 imposes an asset limit of $1,000 for a single person and $2,000 for a married couple for parents seeking to become eligible for Medicaid under this section. This will save $1,400,000 in General Revenue and $2,200,000 in Federal Funds.

DOS officials state Section 208.147.4 requires the department to collect information regarding recipients' employer-sponsored health insurance reasons for not participating in employer sponsored plans and whether they sought employment. DOS would incur a one-time cost to add the necessary fields to the database of $185,000.

DOS officials state Section 208.636.5 lowers the current net worth limit of $250,000 to an asset limit of $25,000 and specifies excluded assets. This is a savings of $100,000 to General Revenue, $600,000 to Federal Funds, and $100,000 to Intergovernmental Transfer Fund.

DOS officials state Section 208.640 changes premiums for CHIP to 151 to 225% of the federal poverty level. DOS assumes 20,000 individuals will drop out because the family does not pay premiums. DOS will see a savings of $5,700,000 to the Intergovernmental Transfer Fund.

Officials from the **Department of Social Services - Family Support Division (FSD)** state this

ASSUMPTION (continued)

legislation would require the FSD to do reinvestigations on approximately 500,000 recipients annually or 42,000 per month. This legislation allows the review to be completed by a food stamp reinvestigation. Approximately, 52% of Medicaid cases receive food stamps. Additionally, FSD already performs 23,000 reinvestigations per month. The FSD would need additional caseworkers and support staff to do the additional reinvestigations that are not already performed.

Monthly Reinvestigations	42,000
Amount already performed	23,000
Additional Reinvestigations	19,000

Amount Covered through Food Stamps	19,000
	x 52%
	9,880
Additional Reinvestigations net of Food Stamps	19,000
	- 9,880
	9,120

Based on current caseloads, the average caseworker can handle approximately 50 reinvestigations per month.

9,120/50 = 182.4 Caseworkers per month (Rounded to 183)

Additionally, 18 supervisors would be needed based on a 10 to 1 standard and 50 clerical based on 4 professional staff to 1 clerical. See attached worksheet for the cost of the staff.

No other parts of this legislation has a fiscal impact on the Family Support Division.

Section 208.145.
The bill will impose an asset test on recipients of Medical Assistance for Families. The resource limit will be $1,000 for a parent and child/children and $2,000 for a parent who is married and living with a spouse and a child/children. The number of parents who would lose Medicaid eligibility is projected to be 1,572. The average annual cost for an eligible is $2,370 which will result in an annual cost savings of $3,725,640. Children who were eligible under the Medical Assistance for Families will not lose eligibility but will become eligible under the Medicaid for Poverty level children's group.

ASSUMPTION (continued)

Section 208.147.
The proposed legislation requires all recipients of medical assistance to participate in cost-sharing activities, subject to the provisions of 42 U.S.C. Section 1396o. House Amendments exclude pharmacy services, home health services, and in-home services from cost sharing. MC+ for Kids recipients are not subject to this section's cost sharing provisions. Another House Amendment sets forth that the provider's payment will not be reduced if the provider, after making reasonable efforts to collect, is not able to collect the copayment. Co-payments range from $.50 to $3.00 based on the Medicaid allowable cost for the service. Cost savings projected for copayments, excluding pharmacy, home health and in-home services was originally estimated at $29,341,638 annually. However, with the language added that the provider can be reimbursed for uncollected copays, the savings are reduced by half to $14,670,819.

Section 208.636.
The bill will reduce the resource limit from $250,000 to $25,000 for MC+ for Kids recipients. The estimated annual cost savings is $1,053,183 - 881 children would lose Medicaid coverage.

Section 208.640.
Individuals with income between 150% and 300% of the Federal Poverty Level are required to pay a monthly premium for health care coverage and must not have access to affordable insurance. It is estimated 23,000 children will lose Medicaid at a cost savings of $13,650,849. Premiums will be collected on 15,231 cases (25,893 children). Premium collections are estimated to total $19,466,402.

Staff is needed to collect premiums. Based on current premium collection activities and staffing, 2 staff is need for every 5,500 cases. Using this criteria 6 staff is needed at a total cost of $420,631.

FISCAL IMPACT - State Government	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE			
Savings - Department of Health and Senior Services			
Program Savings	$0 to $948,433	$0 to $991,112	$0 to $1,035,712
Savings - Department of Social Services - Division of Medical Services			
Program Savings - Section 208.152	$0 to $757,756,835	$0 to $791,855,892	$0 to $827,489,407
Program Savings - Section 208.147	$11,059,677	$13,271,613	$13,271,613
Program Savings - Section 208.636	$0	$285,729	$0
Program Savings - Section 208.640	$6,450,178	$7,760,363	$7,756,571
Program Savings - Section 208.145.2	$1,400,000	$1,400,000	$1,400,000
Program Savings - Section 208.636.5	$100,000	$100,000	$100,000
Program Savings - Section 208.145	$1,206,176	$1,447,411	$1,447,411
Program Savings - Section 208.212	$160,000	$160,000	$160,000
	$2,866,176	$3,107,411	$3,107,411
Costs - Department of Social Services			
Database changes	($92,500)	$0	$0
Costs- Department of Social Services- Family Support Division			
Personal Service (168 FTE)	($4,068,574)	($5,006,349)	($5,131,508)
Fringe Benefits	($1,699,037)	($2,090,651)	($2,142,915)
Expense and Equipment	($2,004,684)	($2,176,837)	($2,203,840)
	($7,772,295)	($9,273,837)	($9,478,263)
Costs - Office of Attorney General			
Personal Services (4 FTE)	($99,083)	($121,873)	($124,919)
Fringe Benefits	($41,020)	($50,455)	($51,716)
Total Costs - Office of Attorney General	($140,103)	($172,328)	($176,635)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$0 to $771,076,401**	**$0 to $807,825,955**	**$0 to $843,005,816**

FEDERAL

Savings - Department of Health and Senior Services			
Program Savings	$0 to $1,422,649	$0 to $1,486,668	$0 to $1,553,568
Savings - Department of Social Services - Division of Medical Services			
Program Savings - Section 208.152	$0 to $1,112,489,462	$0 to $1,162,551,488	$0 to $1,214,866,305
Program Savings - Section 208.636	$0	$767,454	$0
Program Savings - Section 208.147	$17,407,961	$20,889,553	$20,889,553
Program Savings - Section 208.212	$240,000	$240,000	$240,000
Program Savings - Section 208.145.2	$2,200,000	$2,200,000	$2,200,000
Program Savings - Section 208.636.5	$600,000	$600,000	$600,000
Program Savings - Section 208.145	$1,898,524	$2,278,229	$2,278,229
Program Savings - Section 208.640	$17,956,404	$21,547,685	$21,547,685
	$40,302,889	$48,522,921	$47,755,467
Costs - Department of Social Services			
Database changes	($92,500)	$0	$0
Costs- Department of Social Services- Family Support Division			
Personal Service (85 FTE)	($2,003,925)	($2,465,814)	($2,527,459)
Fringe Benefits	($836,839)	($1,029,724)	($1,055,467)
Expense and Equipment	($987,382)	($1,072,173)	($1,085,473)
	($3,828,146)	($4,567,711)	($4,668,399)
Loss Department of Health and Senior Services			
Program Reimbursement	($0 to $1,422,649)	($0 to $1,486,668)	($0 to $1,553568)
Loss Department of Social Services - Division of Medical Services			
Program Reimbursement	($0 to $1,112,489,462)	($0 to $1,162,551,488)	($0 to $1,214,866,305)

ESTIMATED NET EFFECT ON FEDERAL	**$0**	**$0**	**$0**
INTERGOVERNMENTAL TRANSFER FUND			
Program Savings - Section 208.636.5	$100,000	$100,000	$100,000
Program Savings - Section 208.640	$5,700,000	$5,700,000	$5,700,000
ESTIMATED NET EFFECT TO INTERGOVERNMENTAL TRANSFER FUND	$5,800,000	$5,800,000	$5,800,000

FISCAL IMPACT - Local Government	FY 2005 (10 Mo.)	FY 2006	FY 2007
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal states individuals deemed to be recipients of aid to families with dependent children and individuals will be deemed eligible for assistance if: 1) the individual meets certain eligibility requirements that are no more restrictive than those of July 16, 1996, 2) Each dependent child, and each relative with whom a child is living including the spouse of such relative as in effect on July 16, 1996, who ceases to meet the eligibility criteria set forth in subdivision (1) of this section and who has received such aid in at least three of the six months immediately preceding the month in which ineligibility begins, shall be deemed eligible for an additional four calendar months. In addition to any other eligibility requirements, any person shall not be eligible for benefits if the parent and child or children in the home owns or possesses resources that exceed one thousand dollars; provided that, if such person is married and living with a spouse, the parents and child or children may own resources not to exceed two thousand dollars. Certain asset exclusions are provided.

The proposal states that persons made eligible for medical assistance benefits pursuant to the

DESCRIPTION (continued)

federal Ticket to Work and Work Incentives Improvement Act of 1999, needy persons who comply with Title XIX, Public Law 89-97, 1965 amendments to the federal Social Security Act (42 U.S.C. Section 301 et seq.), and any person who is eligible for any other optional medical benefits provided by the Department of Social Services will only be eligible for these benefits if annual appropriations are made. The proposal will not apply to classes of individuals listed in 42 U.S.C. Section 1396a(a)(10)(A)(i).

The department shall conduct an annual income and eligibility verification review of each recipient of medical assistance. These reviews are to be completed no later than twelve months after the recipient's last eligibility determination.

The department shall establish procedures that require applicants or recipients to disclose whether their employer offers employer-sponsored health insurance that they are eligible to receive, whether the applicant or recipient participates in the employer-sponsored health insurance program, and to disclose the applicant's or recipient's reason for not participating in the employer-sponsored plan, if applicable. If the applicant or recipient is unemployed at the time of application or the annual eligibility review, the department shall also establish procedures that require the applicant or recipient to disclose whether they have sought employment. The department shall require all recipients of medical assistance to participate in cost-sharing activities, subject to the provisions of 42 U.S.C. Section 1396o.

For purposes of Medicaid eligibility, investment in annuities shall be limited to those annuities that: (1) Are actuarially sound, (2) Provide equal or nearly equal payments for the duration of the device and which exclude "balloon" style final payments; and (3) Provide the state of Missouri secondary or contingent beneficiary status ensuring payment if the individual predeceases the duration of the annuity, in an amount equal to the Medicaid expenditure made by the state on the individual's behalf. The department shall establish a thirty-six month look-back period to review any investment in an annuity by an applicant for Medicaid benefits.

Parents and guardians of uninsured children eligible for the program established in sections 208.631 to 208.657 shall: (1) the uninsured child's Social Security number or numbers, (2) cooperate with the department in identifying and providing information to assist the state in pursuing any third-party insurance carrier who may be liable to pay for health care; (3) cooperate with the department in establishing paternity and in obtaining support payments, including medical support; (4) demonstrate upon request their child's participation in wellness programs, and other such requirements as determined by the department.

Parents and guardians of uninsured children with incomes between one hundred fifty-one and

DESCRIPTION (continued)

three hundred percent of the federal poverty level who do not have access to affordable employer-sponsored health care insurance or other affordable health care coverage may obtain coverage pursuant to this subsection.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Mental Health
Department of Health and Senior Services
Department of Social Services

Mickey Wilson

Mickey Wilson, CPA
Director
March 17, 2004